MANITOBA
CROP INSURANCE CORPORATION

MCIC

2003–2004
ANNUAL REPORT

104-07581/

LETTERS OF TRANSMITTAL

The Honourable John Harvard P.C., O.M.
Lieutenant Governor of Manitoba
Room 235 Legislative Building
Winnipeg, Manitoba
R3C 0V8

May It Please Your Honour:

I have the privilege of presenting for the information of Your Honour, the Annual Report of the Manitoba Crop Insurance Corporation for the fiscal year ending March 31, 2004.

Respectfully submitted,

ROSANN WOWCHUK
DEPUTY PREMIER
MINISTER OF AGRICULTURE, FOOD AND RURAL INITIATIVES

LETTERS OF TRANSMITTAL

The Honourable Rosann Wowchuk
Deputy Premier
Minister of Agriculture, Food and Rural Initiatives
Room 163 Legislative Building
Winnipeg, Manitoba
R3C 0V8

Dear Madam:

Presented herewith is the Manitoba Crop Insurance Corporation's Annual Report for the fiscal year ending March 31, 2004.

Respectfully submitted,

Walter W. Kolisnyk

WALTER W. KOLISNYK
CHAIRMAN
BOARD OF DIRECTORS

TABLE OF CONTENTS

Chairman's Message	4
Mission Statement/ Vision/Corporate Values	6
2003-04 Progress on Business Goals	7
Performance Indicators	8
Board of Directors/Corporate Officers/Legal Counsel	9
Administration	10
Organization Chart	10
Current Programs:	
Production Insurance Program	11
Hail Insurance Program	13
Wildlife Damage Compensation Program	14
BSE-Related Programs	14
Table 3-Five Year Statistics	16
2003 Cropping Conditions	17
Table 4-Summary of Insurance Written and Major Causes of Loss by Crop	18
Table 5-Summary of Participation, Premiums and Indemnities Paid	
Production Insurance Program	19
Hail Insurance Program	19
Historical Loss Ratios	20
Risk Area Map	21
Agency Map	22
Financial Statements	23

Cover Photo by: DAVE REEDE

TABLE OF CONTENTS

CHAIRMAN'S MESSAGE

RISK MANAGEMENT CONTINUES TO BE OF PRIMARY IMPORTANCE TO MANITOBA FARMERS. THE MANITOBA CROP INSURANCE CORPORATION (MCIC) PERFORMED WELL FOR OUR 11,000 CUSTOMERS IN 2003-04, AS WE CONTINUED TO LEAD THE INDUSTRY IN PROVIDING RESPONSIVE RISK MANAGEMENT TOOLS AND INNOVATIVE PRODUCTS.

In the 2003 crop year, we experienced our highest Production Insurance (PI) participation to date, with 9.25 million acres and $1.35 billion of liability being insured. Correspondingly, premiums totaled $112 million. Production Insurance claims for the year were $57 million, down from $76 million in 2002.

Participation in Hail Insurance was up slightly in 2003-04, with 2.9 million acres being insured. Hail premiums were $11.5 million, with claims of $6.9 million.

Compensation for damage caused by waterfowl, big game and livestock predators is provided through the Wildlife Damage Compensation Program. In 2003-04, $1.3 million of compensation was paid to producers, which is down from the previous year. The decline was due to fewer waterfowl claims because of an early harvest.

In 2003-04, a number of improvements were made to Manitoba's Production Insurance Program. The improvements included: providing pedigreed seed coverage for canola, oats, flax and field peas; further separating dry edible bean types, thereby increasing the number of insurance programs from four to seven; expanding the insurable area for soybeans; and providing separate insurance programs for processing and table potatoes.

On the administrative side, MCIC continues to work towards delivering service options through the Internet. Insured producers are now able to use MCIC's website to complete their Harvested Production Report on-line and view their coverages, premium rates, Statement of Insurance and Statement of Account.

MCIC's expertise in delivering ad hoc programs was exemplified in the delivery of six separate BSE-related programs. Working in conjunction with Manitoba Agriculture, Food and Rural Initiatives, MCIC dispersed total payments of approximately $43 million to eligible producers over the course of nine months. The programs administered by MCIC included: Canada-Manitoba BSE Recovery Program, Manitoba Feeder Assistance Program, Manitoba Slaughter Deficiency Program, Manitoba Drought Assistance Program, Manitoba Cull Animal Program and the Manitoba Spring Dead Stock Removal Program. A seventh BSE program, the Canada Cull Animal Program (which will provide compensation of over $10 million), will be administered by MCIC early in the new fiscal year. MCIC's total administrative expenses for delivering these seven programs is less than one percent of total program payments.

MCIC's continued success can be attributed to our ongoing commitment to work with our customers. Over the past year, we sought input on how Production Insurance could be improved from various producer and commodity groups. In addition, public meetings were held at Arborg and Virden, providing further opportunity for producer input. This process, combined with the viewpoints of staff and government direction, forms the basis of MCIC's research and development of new products and services.

The new Canadian Agricultural Income Stabilization (CAIS) program is designed to help protect farming operations from drops in income. CAIS and Production Insurance are the two core programs under the Business

Risk Management component of the Agricultural Policy Framework (APF). Due to the design of CAIS, there is potential overlap with Production Insurance. As a result, effective linkages between CAIS and Production Insurance are needed to keep the two programs in balance. Through the diligent work of MCIC, provincial and federal officials, CAIS/PI linkages have been implemented starting with the 2003 stabilization year.

MCIC's risk management strategy continues to include the purchase of private reinsurance. Having a reinsurance program in place provides several long-term benefits including: stabilizing premium rates from year to year, protecting the provincial and federal treasuries from unnecessary financial shocks, and maintaining a reasonable reserve which helps to keep premium rates low. Due to the size of MCIC's reserve fund, Production Insurance premium rates were reduced by 19.2% in 2003-04.

In administering the Production Insurance Program, we continue to value the strong working relationship that we have with our federal colleagues at Agriculture and Agri-Food Canada. Their co-operation and support is much appreciated.

It is with regret that the Board bids farewell to Brad Mroz. On behalf of the Board and the staff of MCIC, I want to thank Brad for four years of outstanding service as a Board member. We wish Brad continued success in his farming operation.

Finally, I would like to thank MCIC's staff and Board members for their efforts over the past year. Their commitment and expertise continues to make MCIC an effective and efficient means of delivering risk management programs to Manitoba farmers.

Walter W. Kolisnyk

WALTER W. KOLISNYK
CHAIRMAN

MISSION STATEMENT

Offering Manitoba's agricultural producers risk management programs which provide stability and assist in adapting to change.

VISION

To ensure we continue to be committed to carrying out our mission, Manitoba Crop Insurance Corporation (MCIC) will be an organization that:

- researches, develops and delivers new and improved products and services to assist in reducing risk in the agricultural industry;
- is instrumental in the development of policy relating to risk management programs for agricultural producers in Manitoba;
- conducts its business with qualified and motivated people;
- has the pre-eminent expertise in the delivery of land-based programs in Manitoba; and
- strives to improve efficiency.

CORPORATE VALUES

WE VALUE OUR:

CLIENTS - The needs and interests of our clients come first.

EXCELLENCE IN JOB PERFORMANCE BY DEDICATED STAFF - Excellence in our work is recognized and rewarded.

GOOD WORKING RELATIONSHIPS - We share our ideas and work co-operatively with our clients and business associates in an open and forthright manner.

PUBLIC TRUSTEESHIP ROLE - We manage our operations to the benefit of all parties involved.

CONTRIBUTION TO THE AGRICULTURAL SECTOR - We help Manitoba's agricultural industry achieve sustainable economic growth and financial stability. We encourage our staff to be positive role models and leaders in their communities.

2003-04 PROGRESS ON BUSINESS GOALS

STRATEGIC DIRECTION:

ENHANCE SERVICE TO OUR CLIENTS THROUGH NEW AND IMPROVED PROGRAMS, WHICH MORE EFFECTIVELY STABILIZE RISK AND PROVIDE SUPERIOR DELIVERY OF PROGRAMS AND SERVICES.

RESULTS:

- Researched and developed enhancements to existing products, including:
  - offering separate insurance programs for four additional dry edible bean types;
  - offering separate insurance programs for processing and table potatoes;
  - expanding pedigreed seed coverage to include flax, canola, field peas and oats; and
  - expanding the insurable area for soybeans.
- Developed a number of new products for the 2004 crop year, including:
  - insuring Canada Western Hard White wheat as a separate crop;
  - expanding the Pasture Insurance pilot to an all-province basis; and
  - removing soybean variety restrictions.
- Administered six separate BSE-related ad hoc programs that provided over $45 million in compensation to Manitoba producers.

STRATEGIC DIRECTION:

ENSURE THAT THE GOVERNING LEGISLATION AND POLICIES PROVIDE PRODUCERS WITH EFFECTIVE RISK MANAGEMENT ALTERNATIVES.

RESULTS:

- MCIC's General Manager assisted in representing Manitoba with the Business Risk Management component of the Agricultural Policy Framework (APF). New coverage options and insurance alternatives are available under the APF, including livestock production insurance.
- An amendment to the Federal Regulation that will provide greater program flexibility is expected to be in place for the 2004 crop year.
- Linkages between the Canadian Agricultural Income Stabilization (CAIS) program and Production Insurance have been developed and were implemented for the 2003 stabilization year. The purpose of the linkages is to keep CAIS and Production Insurance in balance.

STRATEGIC DIRECTION:

ENHANCE THE AWARENESS OF INDUSTRY AND GOVERNMENT AS TO THE IMPORTANCE OF THE CORPORATION'S RISK MANAGEMENT PROGRAMS IN TERMS OF REDUCING OVERALL RISK IN THE AGRICULTURAL SECTOR.

RESULTS:

- Enhanced information about Production Insurance is being provided via the Internet.
- MCIC's agency staff continue to meet with agricultural businesses and lending agencies to promote the benefits of Production Insurance and to explain the benefits of producers participating in both CAIS and Production Insurance.

STRATEGIC DIRECTION:

STRENGTHEN HUMAN RESOURCES WITH BETTER TRAINING, MORE EFFECTIVE COMMUNICATION AND ENSURE THAT WE HAVE THE RIGHT PEOPLE FOR EXISTING AND NEW INITIATIVES.

RESULTS:

- Provided a leadership course for Agents.
- Developed a Workplace Safety and Health Program.
- Instituted a process whereby Agents can recommend program and administrative changes.

STRATEGIC DIRECTION:

SEEK OUT REVENUE AND FUNDING OPPORTUNITIES THAT WILL SUPPORT PRODUCT DEVELOPMENT AND SERVICE DELIVERY.

RESULTS:

- Purchased private reinsurance for the Production Insurance Program to assist in the smooth transition to a lower but sustainable reserve. In order to reduce the reserve, premium rates were reduced 19.2%.
- Purchased private reinsurance for the Hail Insurance Program.
- Re-negotiated the federal-provincial reinsurance agreement.
- Continued to earn revenue through the provision of fee-based services to third parties for audit and measurement. Fees are also charged for certain administrative services, thereby reducing the administrative cost of the Production Insurance Program.

STRATEGIC DIRECTION:

CONTINUE TO IMPROVE EFFICIENCIES THROUGH STREAMLINED PROCESSES AND BETTER USE OF TECHNOLOGY.

RESULTS:

- Developed and implemented an option for producers to file their Harvested Production Reports via the Internet.
- Developed an inquiry application for the Internet that allows producers to access their statement of account and crop management history.
- Expanded the computerized hail loss pilot project to 35 adjusters, with 78% of all hail claims completed using laptop computers.
- Provided each Agency Office with a GPS unit to assist in measuring fields.

PERFORMANCE INDICATORS

PRODUCTION INSURANCE PROGRAM

Insured acreage increased by more than 1% to 9.25 million acres, exceeding the target level by about 120,000 acres. Insured annual crop acres increased by 30,000, with insured forages up by more than 90,000 acres.

The average coverage level increased by 0.2 percentage points to 73.6%, exceeding the target for the year.

Total liability increased by 12% to over $1.35 billion, matching the budgeted increase. Much of the increase in liability was due to higher insured dollar values.

Administrative expenses were 15% under budget in 2003-04. MCIC continued to maintain the lowest administrative expense ratio of any Canadian crop insurance agency at 6.7 % of gross premium income (8.3% of premium income after discounts).

HAIL INSURANCE PROGRAM

Total liability increased by almost 10% to $318 million, exceeding the budgeted amount by $38 million.

BOARD OF DIRECTORS

Walter W. Kolisnyk, *Chairperson*
Minitonas

Hazel H. Arndt, *Vice-Chairperson*
Roblin

Brad R. Mroz
Beausejour

Harry S. Sotas
Solsgirth

Frank R. Fiarchuk
Arborg

BACK ROW: HARRY SOTAS, BRAD MROZ, FRANK FIARCHUK
FRONT ROW: HAZEL ARNDT, WALTER KOLISNYK

CORPORATE OFFICERS

Neil A. Hamilton, B.S.A., M.Sc., Ph.D.
General Manager

Jim V. Lewis, B.S.A., C.M.A.
Director of Finance and Administration

Herb Sulkers, B.Sc.
Director of Field Operations

Paul M. Bonnet, B. Comm.
Director of Research and Program Development

Kim M. Poschenrieder, B.S.A.
Corporate Secretary

BACK ROW: PAUL BONNET, KIM POSCHENRIEDER
FRONT ROW: HERB SULKERS, NEIL HAMILTON, JIM LEWIS

CORPORATE ADDRESS

400-50 24th St. N.W.
Portage la Prairie, Manitoba
R1N 3V9
Phone: (204) 239-3246
Fax: (204) 239-3401
www.mcic-online.com

LEGAL COUNSEL

Thompson Dorfman Sweatman

ADMINISTRATION

The Manitoba Crop Insurance Corporation (MCIC) is a Crown Corporation of the Province of Manitoba. MCIC's policies are established by its Board of Directors, which reports directly to Manitoba's Minister of Agriculture, Food and Rural Initiatives. The Board and staff consult on a regular basis with producers and producer groups with respect to production insurance issues and needs.

MCIC has a permanent complement of 101 staff years, supplemented as required by adjusting and part-time staff. Over 130 adjusters are employed on an as-needed basis.

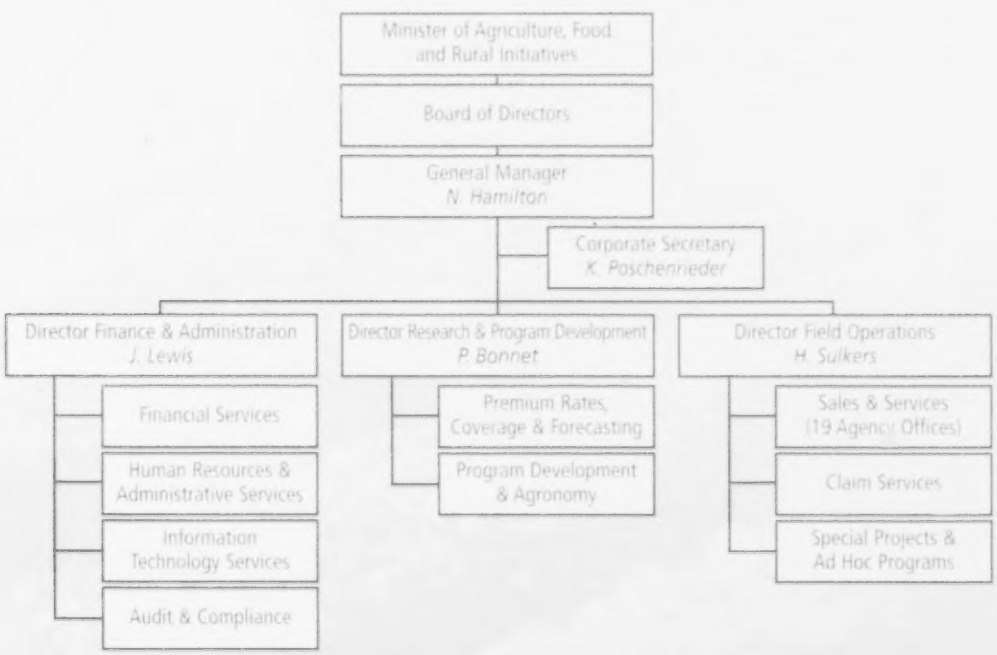
An independent three-member Appeal Tribunal hears disputes between insured producers and MCIC respecting MCIC's assessment of loss or damage. The Appeal Tribunal's decisions are final and binding on both parties.

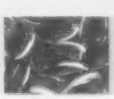
MCIC's programs and services are delivered by 19 Agency Offices, strategically located throughout the province. The locations are shown on the Agency map (Page 22). Head Office is located in Portage la Prairie. Agency Offices are connected to the main computer at Head Office, thereby providing efficient access and processing of clients' data. A local area network provides for electronic communications amongst all staff and offices.

MCIC fully supports and participates in the Manitoba Government's initiatives under The Sustainable Development Act. In its daily operations, MCIC encourages and facilitates activities that reduce, reuse, recycle and recover resources where possible. Activities range from using recycled paper in printers and photocopiers to promoting the use of teleconferencing for meetings.

ORGANIZATION CHART

MANITOBA CROP INSURANCE CORPORATION – MARCH 31, 2004





CURRENT PROGRAMS

PRODUCTION INSURANCE PROGRAM

The Production Insurance Program provides protection against production losses caused by natural perils. Insurance is provided for 49 separate crops. Coverage is also provided for forages during the establishment stage and for the inability to seed land due to wet conditions.

The natural perils covered by insurance include drought, excess moisture (rainfall or flood), frost, hail, fire, excess heat, wind, wildlife and waterfowl, disease and pests. Causes of loss that are within an insured producer's control are not covered.

Producers can select coverage levels of 50%, 70% or 80%. Individual crops can be insured at different coverage levels or can be excluded from coverage completely. Coverage is based on the producer's expected (probable) yield multiplied by the coverage level selection multiplied by the number of insured acres. If harvested production (adjusted for quality loss) falls below coverage, an indemnity equal to the production shortfall multiplied by the dollar value is paid to the insured producer.

Excess Moisture Insurance (EMI) is a basic feature of the Production Insurance Program. All producers with an active Production Insurance contract have EMI coverage on land intended for spring seeding. If producers are unable to seed their land by June 20th due to wet conditions, they receive compensation of $30 per eligible acre, subject to the applicable deductible. A zero deductible option is available. The Forage Restoration benefit is a comparable basic feature for tame hay and forage seed crops that are destroyed due to excess spring moisture.

For insurance purposes, Manitoba is divided into fifteen areas of similar crop production risk based on factors such as climate, topography and yield history. The risk areas, which are shown on the Risk Area map (Page 21), form the geographic basis for the determination of coverage and premium rates. The probable yields that are used to determine coverage are either individualized based on a producer's yield history relative to the area average or are based on an average of a producer's individual yield history.

Premium costs are shared between insured producers and the Governments of Canada and Manitoba. For the 50% coverage level and basic EMI, there is no producer premium, with the related cost being paid 60% by Canada and 40% by Manitoba. For coverage above the 50% level, producers pay half of the premium cost with the remainder being paid 60% by Canada and 40% by Manitoba. A producer's claim experience results in premium discounts or surcharges.

In 2003-04, producers paid an administration fee of $0.25 per acre, which funded approximately 25% of total administrative expenses. The remainder of the administrative expenses are paid 60% by Canada and 40% by Manitoba.

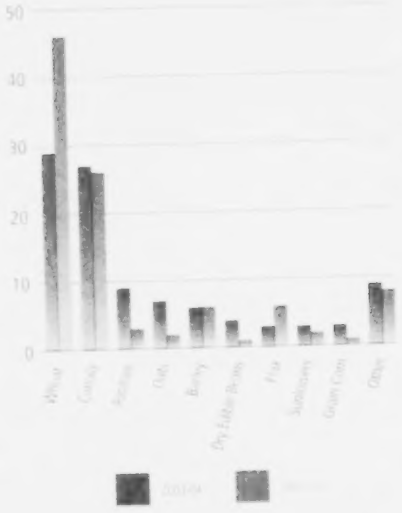
Claims are adjusted on a crop specific basis. Insured producers receive indemnity payments based on the difference between their coverage and the total amount of harvested production. If the grade of the harvested crop falls below the quality guarantee, harvested production is reduced by the relative market value of the crop.

Table 4 (Page 18) provides a summary of insurance written in 2003-04, including the major causes of loss by crop. Seven of Manitoba's major crops - wheat, canola, potatoes, oats, barley, dry edible beans and flax - account for more than 85% of total coverage. Compared to ten years earlier, the percentage of total coverage has increased significantly for dry edible beans (261%), oats (325%), and potatoes (253%); has stayed roughly the same for barley (1%) and canola (2%); and has decreased considerably for flax (40%) and wheat (37%). These changes reflect Manitoba producers' commitment to crop diversification and the transition to higher value crops. The relative shift in crops is further illustrated in Figure 1 (Page 12).

FIGURE 1

PERCENTAGE OF TOTAL COVERAGE

PRODUCTION INSURANCE PROGRAM



Drought and heat accounted for 71% of post harvest losses for 2003-04. Excess moisture ranked second at 10%. Figure 2 illustrates the distribution of the major causes of loss for post harvest claims for 2003-04. A historical comparison of causes of loss for post harvest claims is shown in Figure 3.

FIGURE 2

2003-04 CAUSES OF LOSS

PRODUCTION INSURANCE PROGRAM

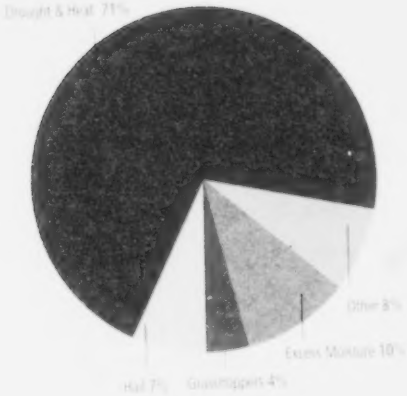
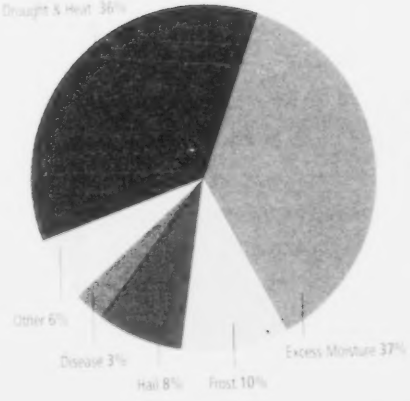


FIGURE 3

HISTORICAL CAUSES OF LOSS (1966-67 TO 2002-03)

PRODUCTION INSURANCE PROGRAM



The Production Insurance loss ratio (losses as a percentage of premium) for the 2003 crop year was 51%. Loss ratios by crop are listed in Table 4 (Page 18). By crop, the largest loss ratios were for greenfeed (460%), pasture (225%), non-oil sunflowers (188%), silage corn (184%) and tame hay (182%). The smallest loss ratios were for feed wheat, red spring wheat, triticale, and grain corn, which were all less than 20%. It is noted that all loss ratios are expressed net of premium discounts.

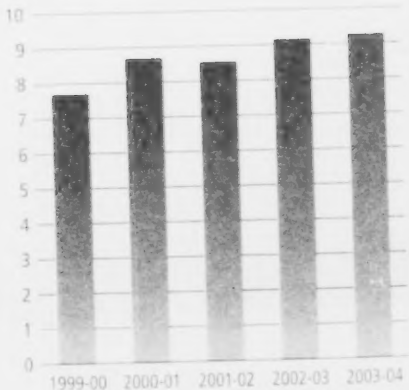
In summary, over 9.2 million acres were insured under the Production Insurance Program for the 2003-04 crop year. This is the largest acreage ever insured by MCIC. Included is a 21% increase in tame hay to 359,000 acres. Figure 4 illustrates the number of acres insured over the past five years.

FIGURE 4

ACRES INSURED

PRODUCTION INSURANCE PROGRAM

(MILLIONS)



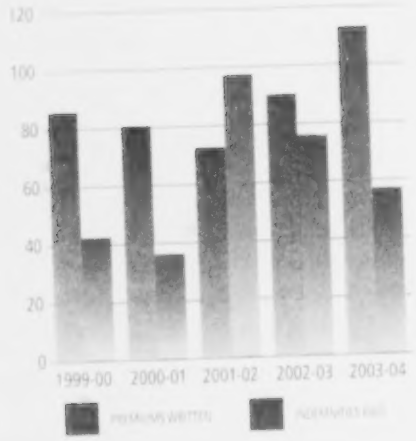
Total premium after discounts for 2003-04 was $112.4 million on $1.35 billion of coverage (liability). Indemnity payments for the year totaled $37.1 million. A historical summary of net premiums and indemnities is shown in Table 5 (Page 19), with the most recent five years illustrated in Figure 5.

FIGURE 5

TOTAL PREMIUMS AND INDEMNITIES

PRODUCTION INSURANCE PROGRAM

($ MILLIONS)



After accounting for interest revenue of $9.3 million and reinsurance premiums of $17.3 million, MCIC recorded $47.3 million of operating income for 2003-04. This resulted in retained earnings increasing from $273.0 million to $320.3 million.

HAIL INSURANCE PROGRAM

A separate policy covering spot loss hail damage is available to producers enrolled in Production Insurance. Producer premiums fund all of the costs of the Hail Insurance Program, including administrative expenses. Premium rates are calculated based on Production Insurance Program risk areas, rather than by township as is the case for private insurance. Coverage can be selected at any time during the growing season and is available in various dollar amounts depending on the crop. The Hail Insurance Program also provides coverage for losses due to accidental fires.

In 2003-04, MCIC insured 2.9 million acres, with total coverage of $318 million. Premiums prior to discounts were $11.5 million, with indemnities of $6.9 million. The resulting loss ratio (loss as a percentage of premium) was 60%. Figure 6 provides a summary of the Hail Insurance Program's loss experience over the last five years.

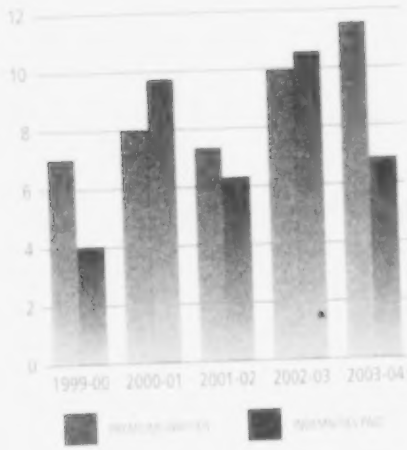
After adjusting for interest revenues of $0.7 million, reinsurance premium of $1.0 million and administrative expenses of $1.7 million, the Hail Insurance Program had an operating income for the year of $2.2 million. Retained earnings increased from $17.6 million to $19.8 million.

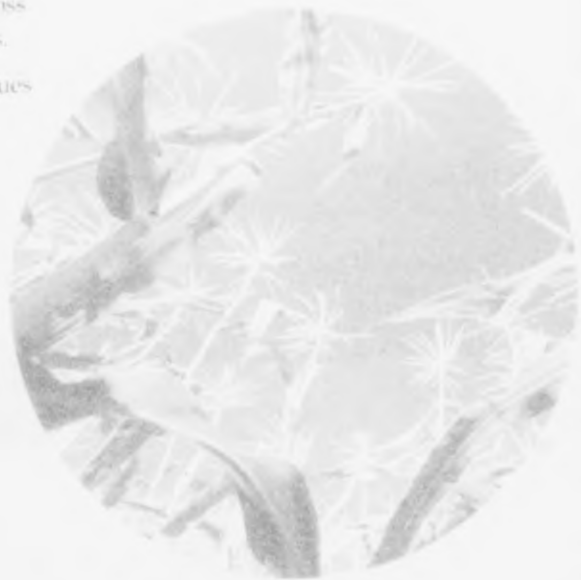
FIGURE 6

PREMIUMS AND INDEMNITIES

HAIL INSURANCE PROGRAM

($ MILLIONS)





WILDLIFE DAMAGE COMPENSATION PROGRAM

The Wildlife Damage Compensation Program reduces the financial loss suffered by producers from damage caused by migratory waterfowl, big game and livestock predators.

Compensation is paid on 100% of lost production. Producers are expected to take reasonable steps to prevent wildlife damage and predator attacks.

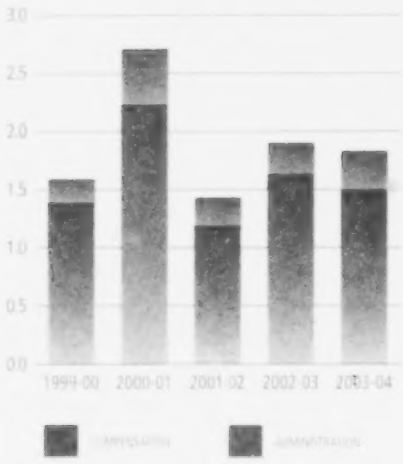
For 2003-04, Wildlife Damage Compensation payments and administrative expenses totaled over $1.8 million. Payments were down 8% from the previous year. Experience for the three program components is shown in Table 1. Figure 7 provides a summary of the Wildlife Damage Compensation payments and administrative expenses for the last five years.

FIGURE 7

COMPENSATION AND ADMINISTRATIVE EXPENSES

WILDLIFE DAMAGE COMPENSATION PROGRAM

($ MILLIONS)



BSE-RELATED PROGRAMS

On May 20, 2003, exports of live ruminants and most ruminant products from Canada were suspended after a cow in Alberta was found to have BSE (Bovine Spongiform Encephalopathy). In an effort to assist livestock producers during the BSE crisis, a number of ad hoc programs were developed. The following BSE-related ad hoc programs were administered by MCIC during 2003-04:

- CANADA-MANITOBA BSE RECOVERY PROGRAM – consisted of 2 components:
  Slaughter Deficiency – assisted producers dealing with depressed livestock prices. The program covered a percentage of the price shortfall for eligible livestock slaughtered between May 20 and August 31, 2003;

TABLE 1

WILDLIFE DAMAGE COMPENSATION PROGRAM

Damage Caused by	Number of Claims		Compensation ($000)		Administration ($000)		Total ($000)	
	2003-04	2002-03	2003-04	2002-03	2003-04	2002-03	2003-04	2002-03
Big Game	739	581	$ 975.4	$ 800.4	$ 214.9	$ 138.8	$ 1,190.3	$ 939.2
Waterfowl	108	246	273.9	484.1	25.3	39.1	299.2	523.2
Livestock Predation	954	1,018	239.0	337.2	97.3	104.1	336.3	441.3
Total Wildlife Damage Compensation	**1,801**	**1,845**	**$ 1,488.3**	**$ 1,621.7**	**$ 337.5**	**$ 282.0**	**$ 1,825.8**	**$ 1,903.7**

Inventory and Pricing Incentive – assisted packing plants with marketing the slowest selling meat products in inventory, allowing them to offer higher prices for livestock. This component paid packing plants an average of approximately $55/head for livestock slaughtered from June 19 to August 31, 2003.

- MANITOBA FEEDER ASSISTANCE PROGRAM – provided feed assistance for livestock intended for slaughter that had been prevented from being marketed due to the closure of the U.S. border. For cattle, a payment of $2/day per animal was made for the period from June 18 to July 20, 2003.
- MANITOBA SLAUGHTER DEFICIENCY PROGRAM – assisted producers dealing with depressed prices on slaughtered livestock. For animals slaughtered between September 1 and November 22, 2003, the program covered 90% of the difference between a reference price and the market price, subject to a maximum compensation payment per head.
- MANITOBA DROUGHT ASSISTANCE PROGRAM – assisted producers who, in addition to dealing with the BSE situation, were short of hay and straw due to drought conditions. The program was designed to reimburse producers for about two-thirds of the cost of transporting hay and straw between July 1 and December 31, 2003.
- MANITOBA CULL ANIMAL PROGRAM – assisted owners of breeding herds that could not be culled in a normal fashion due to the closure of the U.S. border. For beef producers, the payment was based on the number of beef cows owned as of September 1, 2003 multiplied by an average cull rate of 8% multiplied by $100.
- MANITOBA SPRING DEAD STOCK REMOVAL PROGRAM – provided assistance for the disposal of dead stock from Manitoba farms. Dead stock was picked up and disposed of at no charge to producers.

All of the BSE-related programs were funded entirely by the Manitoba Government except for the Canada-Manitoba BSE Recovery Program, which was funded 60% by Canada and 40% by Manitoba. Table 2 provides financial information for each of the BSE-related programs.

TABLE 2

BSE-RELATED PROGRAMS

	Number of Claims	Compensation (000)	Administration[1] (000)	Total (000)
Canada-Manitoba BSE Recovery Program	1,644	$ 20,074.3	$ 117.9	$ 20,192.2
Manitoba Feeder Assistance Program	1,315	6,271.5	43.9	6,315.4
Manitoba Slaughter Deficiency Program	3,599	9,408.0	67.0	9,475.0
Manitoba Drought Assistance Program	1,467	4,074.6	50.4	4,125.0
Manitoba Cull Animal Program	8,858	4,825.8	242.3	5,068.1
Manitoba Spring Dead Stock Removal Program[2]	370	400.0	–	400.0
Total	**17,653**	**$ 45,054.2**	**$ 521.5**	**$ 45,575.7**

(1) Includes $0.3 in doubtful accounts.
(2) Dead stock were picked up from 370 farms. Compensation for this program was paid directly to the contractor.

TABLE 3

FIVE YEAR STATISTICS

	2003-04	2002-03	2001-02	2000-01	1999-00
PRODUCTION INSURANCE PROGRAM					
Total coverage ($ millions)	1,349.5	1,201.6	966.9	832.2	855.2
Number of producer contracts	10,813	10,928	11,054	11,309	11,273
Insured acres (000)	9,249	9,140	8,542	8,683	7,687
Premiums – Producers ($000)	33,188	26,056	19,941	21,490	23,492
Premiums – Government of Canada ($000)	47,555	35,676	29,357	32,939	34,874
Premiums – Province of Manitoba ($000)	31,703	27,990	22,895	25,542	27,164
Total premiums ($000)	112,446	89,722	72,193	79,970	85,530
Indemnities paid ($000)	57,068	75,961	97,347	36,291	42,558
Number of claims paid	8,337	10,125	10,325	6,013	6,194
Administrative expenses ($000)	9,433	10,016	9,986	9,221	8,667
Average insured acres per contract	855	836	773	768	682
Average coverage per contract ($)	124,805	109,965	87,470	73,587	75,863
Average coverage level selected (%)	73.6	73.4	71.2	70.9	71.3
Average producer premium per contract ($)	3,069	2,384	1,804	1,900	2,084
Average total premium per contract ($)	10,399	8,210	6,531	7,071	7,587
Average indemnity per claim ($)	6,845	7,502	9,249	6,035	6,876
Net income for the year ($ millions)	47.3	7.2	(20.4)	37.7	32.8
Funds retained at year end ($ millions)	320.3	273.0	265.8	286.2	228.5
HAIL INSURANCE PROGRAM					
Total coverage ($ millions)	317.6	289.9	223.8	241.6	185.4
Number of producer contracts	3,947	3,734	3,238	3,444	3,378
Insured acres (000)	2,901	2,674	2,105	2,295	2,029
Premiums, net of discounts ($000)	11,231	9,687	7,131	7,734	7,012
Indemnities paid ($000)	6,894	10,368	6,325	9,738	4,048
Number of claims paid	1,535	2,157	1,509	2,646	1,331
Administrative expenses ($000)	1,693	1,701	1,503	1,773	1,418
Average insured acres per contract	735	716	650	666	601
Average coverage per contract ($)	80,468	77,638	69,117	70,151	54,885
Average premium per contract ($)	2,845	2,594	2,202	2,251	2,076
Average indemnity per claim ($)	4,491	4,809	4,192	3,680	3,042
Net income for the year ($ millions)	2.2	(2.8)	(0.3)	(0.8)	2.2
Funds retained at year end ($ millions)	19.8	17.6	20.4	20.7	21.5
WILDLIFE DAMAGE COMPENSATION PROGRAM					
Number of claims paid	1,801	1,845	1,480	1,987	1,325
Amount of compensation paid ($000)	1,488	1,622	1,179	2,221	1,378
Administrative expenses ($000)	337	282	253	487	215
Average compensation per claim ($)	826	879	797	1,118	1,040

2003 CROPPING CONDITIONS

MANY MANITOBA FARMERS WILL REMEMBER THE 2003 CROP YEAR FOR RECORD-BREAKING YIELDS. THE YIELDS THAT WERE REALIZED WERE A SURPRISE IN MANY AREAS CONSIDERING THE DROUGHT AND HEAT STRESS THAT PREVAILED DURING THE LATTER PART OF THE GROWING SEASON.

Winterkill was a significant factor on alfalfa and winter wheat crops in 2003. This was attributed to a lack of snow cover combined with unseasonably low temperatures.

Generally, spring seeding was earlier than normal. Most of the crop was sown by the first week of May, which is roughly two weeks earlier than average. Early seeding enabled many fields to avoid the worst of the drought and heat stress that would have occurred had the crop been planted later.

For most areas of the province, summer precipitation was lower than normal, but the rains that did occur were very well timed. In the southcentral and southeastern regions, growing season precipitation was above average. However, most of this precipitation occurred in the middle of June, with dry conditions for the remainder of the growing season. In contrast, the southwest, northwest and Interlake areas had below average precipitation throughout the growing season. For some producers, dry conditions resulted in severe grasshopper infestations and reduced yields. For others, the dry conditions that occurred later in the growing season kept disease levels low, resulting in better yields and quality than would have otherwise been the case.

Warmer than average temperatures started at the end of July and continued into August. Hot dry conditions resulted in crops ripening quicker than normal. Harvesting was in full swing by the middle of August. By the beginning of September, very little crop other than dry edible beans, soybeans, corn, sunflowers and potatoes was left to be harvested. For most of the province, the first fall frost occurred at the beginning of October. The frost helped dry down the remaining corn and sunflowers crops.

In light of the weather extremes, crop yields were generally higher than expected. Provincial yields were roughly 33% above average for red spring wheat (46 bu/ac) and 17% above average for Argentine canola (33 bu/ac). Barley, oats and flax were roughly 10% above average (63, 81 and 20 bu/ac, respectively).

Drought and heat substantially reduced forage yields in many areas of the province. The Ashern and Lundar areas were particularly hard hit. Low yields, combined with more livestock than normal due to the U.S. border closure, resulted in very tight winter feed supplies. A significant amount of greenfeed and straw had to be substituted in place of forages.

TABLE 4 • SUMMARY OF INSURANCE WRITTEN AND MAJOR CAUSES OF LOSS BY CROP

(FOR THE YEAR ENDED MARCH 31, 2004) • PRODUCTION INSURANCE PROGRAM

Crop	Acres Insured	Coverage ($000)	Total Premium ($000)	Indemnities ($000)	Loss Ratio (%)	Major Causes of Loss					
							(%)		(%)		(%)
Red Spring Wheat	2,476,445	$ 334,978.3	$ 23,597.7	$ 2,126.6	9	Drought	45	Hail	26	Heat	13
Durum Wheat	13,849	1,672.5	137.9	119.7	87	Drought	65	Grasshoppers	22	Excess Moisture	13
Extra Strong Wheat	7,962	947.1	78.0	28.0	36	Drought	63	Heat	14		
Prairie Spring Wheat	16,902	2,184.2	180.3	136.8	76	Drought	66	Rust	18	Heat	10
Feed Wheat	126,965	13,569.7	1,228.1	73.6	6	Drought	63	Excess Moisture	19	Heat	11
Winter Wheat	276,469	36,122.3	3,252.6	5,239.2	161	Winterkill	63	Drought	11	Wind	7
Barley	836,656	87,118.9	5,635.6	2,533.7	45	Drought	53	Heat	16	Excess Moisture	8
Oats	754,144	89,624.8	7,044.2	4,406.4	63	Drought	60	Heat	15	Grasshoppers	8
Mixed Grain	5,357	402.3	42.3	68.4	162	Drought	59	Grasshoppers	16		
Fall Rye	52,081	4,248.6	391.4	140.2	36	Drought	35	Winterkill	24	Grasshoppers	18
Triticale	2,391	112.8	8.7	1.2	14	Drought	100				
Canola	2,273,657	363,606.1	29,819.5	11,245.9	38	Drought	46	Heat	13		
Flax	363,291	47,136.1	4,048.6	4,084.7	101	Drought	49	Excess Moisture	20	Heat	16
Mustard	13,646	1,775.7	240.1	160.1	67	Drought	80	Heat	12		
Oil Sunflowers	50,203	8,220.7	748.3	784.0	105	Drought	52	Cutworms	9	Excess Moisture	9
Non Oil Sunflowers	134,034	29,655.9	2,649.4	4,978.9	188	Drought	36	Excess Moisture	22	Rust	17
Buckwheat	12,692	853.5	194.4	234.3	121	Drought	70	Heat	18	Hail	5
Grain Corn	182,569	37,196.6	5,226.4	708.0	14	Excess Moisture	31	Drought	29	Hail	25
Silage Corn	47,726	10,229.3	438.3	808.7	184	Drought	76	Heat	8	Grasshoppers	7
Potatoes	98,119	125,493.3	7,259.8	1,987.4	28	Disease	43	Poor Germination	27	Drought	19
Vegetables *	536	981.9	41.9	38.5	92	Heat	95	Excess Moisture	2	Frost	1
Field Peas	114,644	12,087.9	899.7	214.0	24	Drought	46	Frost	16	Cutworms	9
Lentils	3,354	369.9	91.2	26.4	29	Drought	36	Heat	29	Grasshoppers	26
Fababeans	7,570	870.4	118.1	150.0	127	Drought	63	Excess Moisture	12	Hail	8
Dry Edible Beans *	221,583	48,221.0	6,024.9	1,673.0	28	Excess Moisture	39	Hail	29	Drought	15
Soybeans	207,186	28,696.1	3,960.5	1,010.4	26	Drought	46	Excess Moisture	32	Heat	14
Tame Hay **	558,864	37,421.4	3,064.1	5,589.7	182	Drought	86				
Pasture		1064	135	30.4	225	Drought	97	Frost			
Native Hay	39,930	943.1	138.3	179.7	130	Drought	69	Excess Moisture	29		
Forage Establishment	159,262	5,225.3	773.3	378.5	49	Drought	63	Wind	20	Heat	5
Pedigreed Timothy Seed	20,626	1,668.9	249.1	224.2	90	Drought	91				
Alfalfa Seed	34,213	3,621.2	586.6	313.7	54	Drought	77	Excess Moisture	10	Winterkill	8
Canaryseed	37,586	4,670.6	512.7	167.3	33	Drought	55	Heat	22	Excess Moisture	12
Annual Ryegrass Seed	3,628	360.8	55.4	24.1	44	Excess Moisture	61	Drought	32		
Perennial Ryegrass Seed	8,344	1,064.3	156.6	72.4	46	Drought	91				
Hemp Grain	5,380	697.8	68.2	111.7	164	Drought	71	Cutworms	22	Poor Germination	6
Greenfeed	79,234	6,917.3	453.6	2,088.5	461	Drought	78	Grasshoppers	8	Excess Moisture	7
Open Pollinated Corn	2,033	240.1	37.3	31.9	86	Drought	50	Excess Moisture	19	Heat	18
Unallocated Adjustments***			14.7	4,440.6							
Subtotal	9,248,881	$ 1,349,515.1	$ 109,463.9	$ 56,641.8	52	Drought	49	Heat	9	Winterkill	7
Excess Moisture Insurance	8,267,348	365,291.8	2,984.0	425.9	14						
Total			**$ 112,445.9**	**$ 57,067.7**	**51**						

*Dry Edible Beans include White Pea, Pinto, Black, Kidney, Cranberry, Red Mexican and Other Dry Edible Beans • **Tame Hay includes Alfalfa, Alfalfa/Grass Mixtures, Grasses and Sweet Clover • Vegetables include Carrots, Cooking Onions, Rutabagas and Parsnips • ***Includes accruals for incomplete claims at year end and prior year adjustments.

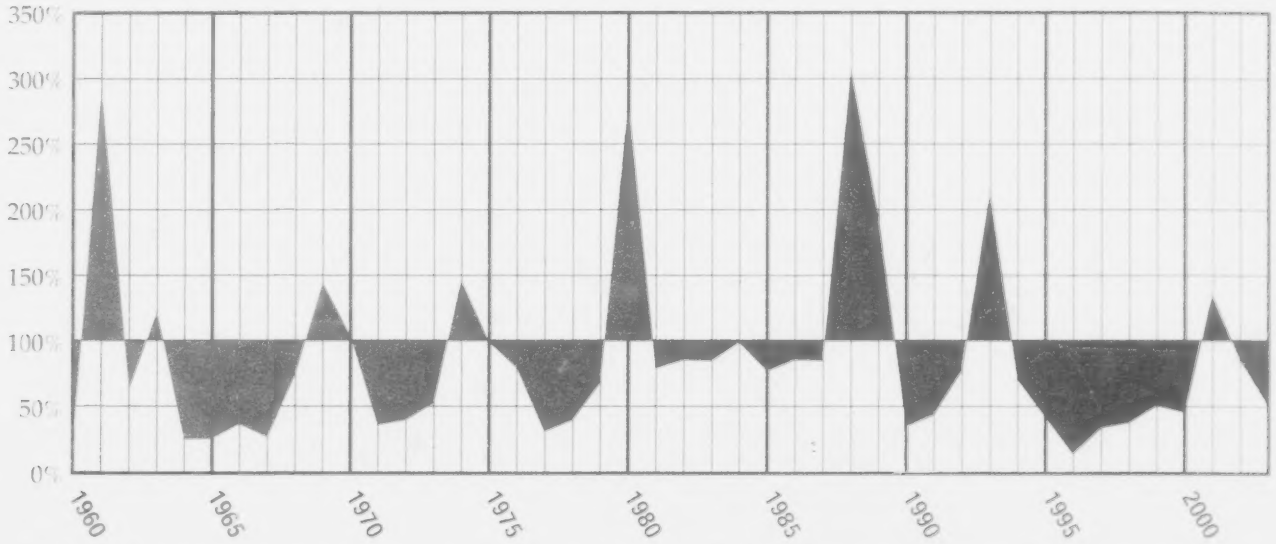
TABLE 5 • SUMMARY OF PARTICIPATION, PREMIUMS AND INDEMNITIES PAID

Year	PRODUCTION INSURANCE PROGRAM [1]							HAIL INSURANCE PROGRAM					
	Number of Contracts [2]	Acres Insured	Coverage ($000)	Producer Premiums ($000)	Total Premiums [3] ($000)	Indemnities ($000)	Annual Loss Ratio (%)	Number of Contracts	Acres Insured	Coverage ($000)	Premiums [4] ($000)	Indemnities ($000)	Annual Loss Ratio (%)
1970-71	13,669	1,587,276	26,873	1,505.2	2,006.9	2,061.5	103	1,583	227,926	4,576	114.3	112.8	99
1971-72	13,233	2,244,971	36,961	2,187.3	2,916.4	1,018.4	35	2,668	561,663	11,463	279.9	80.1	29
1972-73	11,945	2,027,966	35,354	1,895.8	2,527.8	983.1	39	2,443	528,351	10,932	270.9	70.5	26
1973-74	13,585	3,070,213	59,651	2,135.6	4,271.3	2,216.5	52	3,626	983,978	24,521	550.0	617.0	112
1974-75	13,878	3,220,838	81,769	2,846.6	5,693.2	8,299.4	146	3,681	1,016,056	30,928	684.6	423.2	62
1975-76	14,199	3,640,868	126,602	4,785.4	9,570.8	9,338.9	98	4,411	1,255,907	42,472	902.8	1,239.5	137
1976-77	14,583	4,019,879	151,564	5,630.8	11,261.7	8,881.8	79	4,263	1,317,674	47,318	1,029.2	1,197.2	116
1977-78	18,016	5,134,974	210,442	9,384.7	18,769.5	5,981.6	30	4,751	1,530,513	57,205	1,261.5	1,231.5	98
1978-79	15,950	4,551,774	189,208	8,273.6	16,547.2	6,445.4	39	5,062	1,729,463	66,998	1,700.1	1,825.2	107
1979-80	17,275	4,237,086	186,806	8,355.8	16,711.6	11,177.1	67	4,260	1,576,189	63,685	1,683.2	997.9	59
1980-81	14,176	4,741,665	245,847	9,763.1	19,526.1	55,288.7	283	3,515	1,225,244	62,927	1,552.3	1,042.7	67
1981-82	14,633	4,945,403	301,470	12,035.9	24,071.8	18,770.3	78	4,435	1,753,538	94,251	2,273.1	2,266.4	100
1982-83	14,087	4,869,848	309,764	13,256.1	26,512.1	22,600.4	85	4,686	1,961,043	128,480	3,196.1	2,557.6	80
1983-84	13,837	4,878,330	322,254	13,329.9	26,659.7	22,297.6	84	5,104	2,193,680	142,994	3,520.8	3,038.1	86
1984-85	14,087	5,201,958	355,025	15,028.4	30,056.8	29,543.0	98	6,079	2,708,265	178,872	4,603.9	7,728.1	168
1985-86	14,723	5,577,676	438,226	21,827.7	43,655.4	33,287.6	76	6,678	3,113,683	258,223	8,125.4	3,696.9	45
1986-87	14,671	5,567,024	436,142	21,509.1	43,018.1	36,561.7	85	6,634	3,078,347	255,947	8,255.6	6,535.7	79
1987-88	14,070	5,230,009	333,527	16,530.5	33,061.1	27,921.7	84	5,607	2,487,981	203,797	6,645.5	2,822.3	42
1988-89	14,068	5,622,239	375,629	19,188.4	38,376.8	117,923.8	307	5,165	2,175,320	182,635	5,866.2	3,738.6	64
1989-90	15,765	6,645,918	673,831	35,691.2	71,382.3	138,706.8	194	5,147	2,298,720	187,181	5,574.8	9,688.7	174
1990-91	15,670	6,436,601	567,129	36,966.5	73,932.9	25,196.0	34	4,701	2,062,319	170,653	5,395.0	3,488.0	65
1991-92	15,134	6,431,439	391,504	24,730.1	49,460.2	21,350.6	43	2,193	1,047,118	84,737	2,884.8	3,140.8	109
1992-93	13,660	5,899,450	442,477	25,465.3	50,930.7	39,328.4	77	2,406	1,214,543	98,448	3,471.6	2,399.8	69
1993-94	12,799	5,848,025	458,161	24,495.7	48,991.3	104,188.7	213	2,726	1,429,518	115,933	4,100.7	7,115.9	174
1994-95	12,482	6,319,940	512,912	27,161.3	54,322.6	38,036.7	70	2,773	1,481,142	122,867	4,924.6	4,998.6	102
1995-96	11,972	5,811,596	488,366	26,952.0	53,904.1	22,249.3	41	3,705	2,150,903	187,016	7,588.9	5,107.2	67
1996-97	12,788	8,175,360	755,404	23,435.3	82,464.7	11,101.5	13	5,364	3,440,183	315,785	11,813.2	3,801.0	32
1997-98	12,421	8,439,182	900,449	26,833.0	97,398.7	32,494.6	33	5,203	3,383,648	307,827	12,583.3	7,987.0	63
1998-99	11,644	8,495,967	884,092	25,517.2	93,637.5	34,346.3	37	4,533	3,009,432	274,323	11,232.0	2,172.5	19
1999-00	11,273	7,687,037	855,227	23,491.6	85,529.6	42,557.9	50	3,378	2,029,004	185,403	7,012.0	4,048.3	58
2000-01	11,309	8,683,097	832,206	21,490.3	79,970.3	36,291.5	45	3,444	2,295,240	241,578	7,945.5	9,737.6	123
2001-02	11,054	8,541,961	966,901	19,941.5	72,192.9	97,346.9	135	3,238	2,104,656	223,785	7,306.3	6,324.5	87
2002-03	10,928	9,140,036	1,201,673	26,056.0	89,722.1	75,961.3	85	3,734	2,674,340	289,859	9,929.8	10,568.0	106
2003-04	10,813	9,248,881	1,349,515	33,187.6	112,443.9	57,067.7	51	3,947	2,901,093	317,609	11,514.4	6,893.9	60

(1) Excludes data from 1960-61 to 1969-70 and the Livestock Feed Security and Honey Programs • (2) Includes landlord contracts • (3) The total premium represents the producers' share plus the Government of Canada's and the Province of Manitoba's shares • (4) Hail Insurance Program premiums do not include discounts or surcharges • (5) For 2000-01 and later years, the acres and coverage for Excess Moisture Insurance are not included in the Production Insurance Program totals

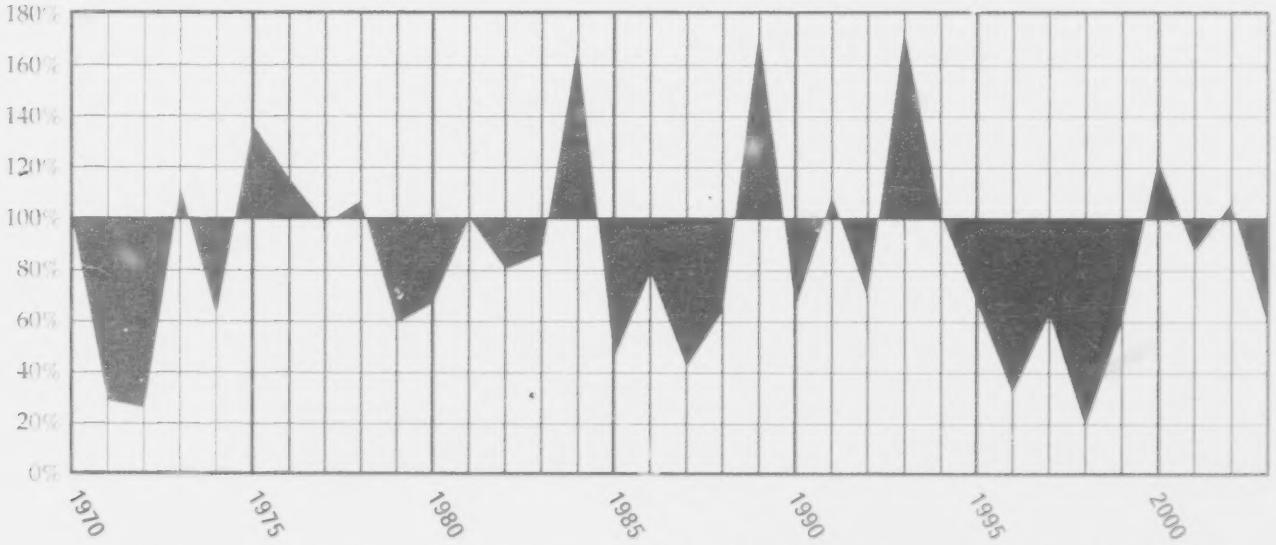
HISTORICAL LOSS RATIOS

PRODUCTION INSURANCE PROGRAM



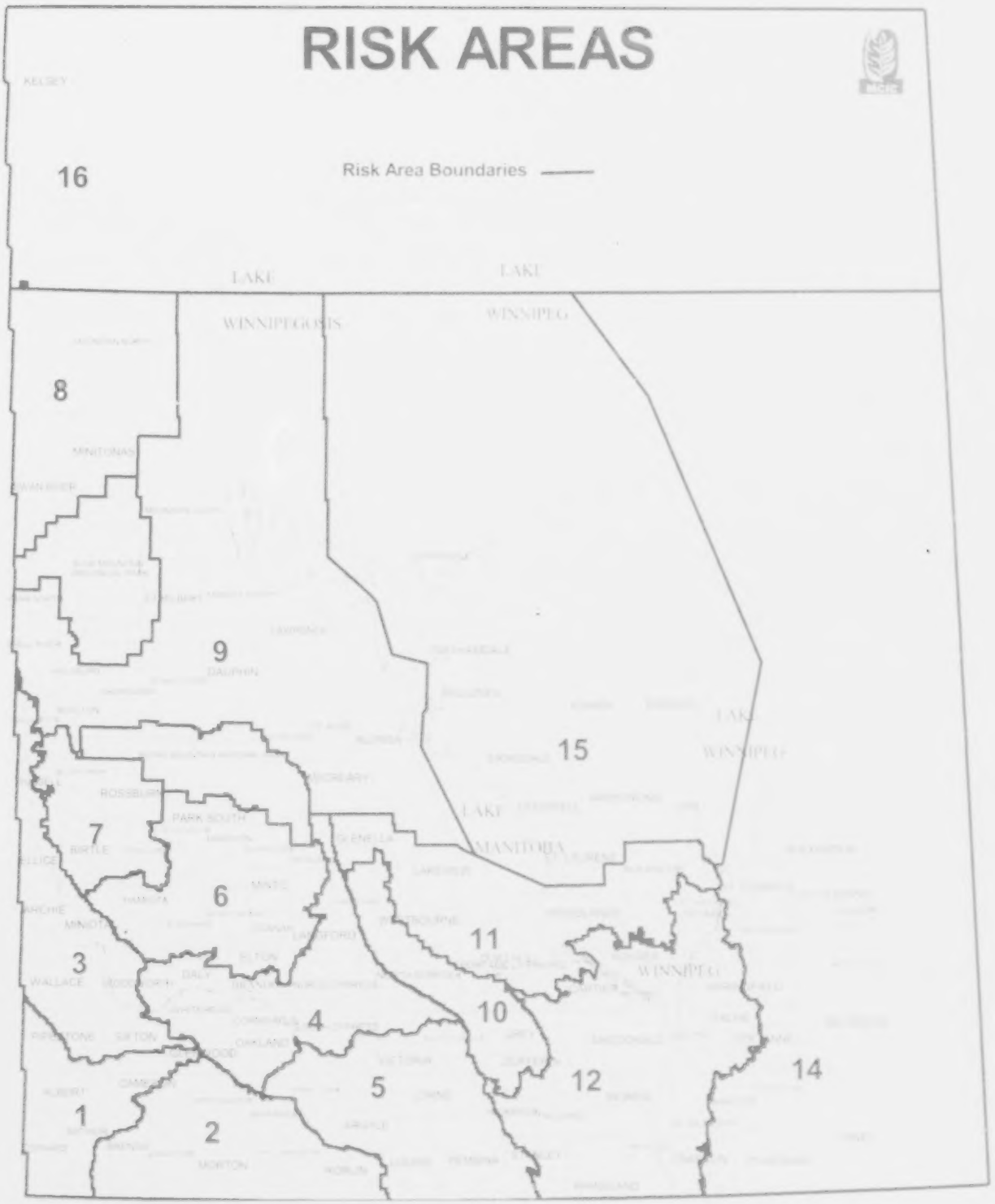
NOTE: In 2003, the loss ratio was 51%. For comparison purposes, the record low was 13% in 1996 and the record high was 307% in 1988.

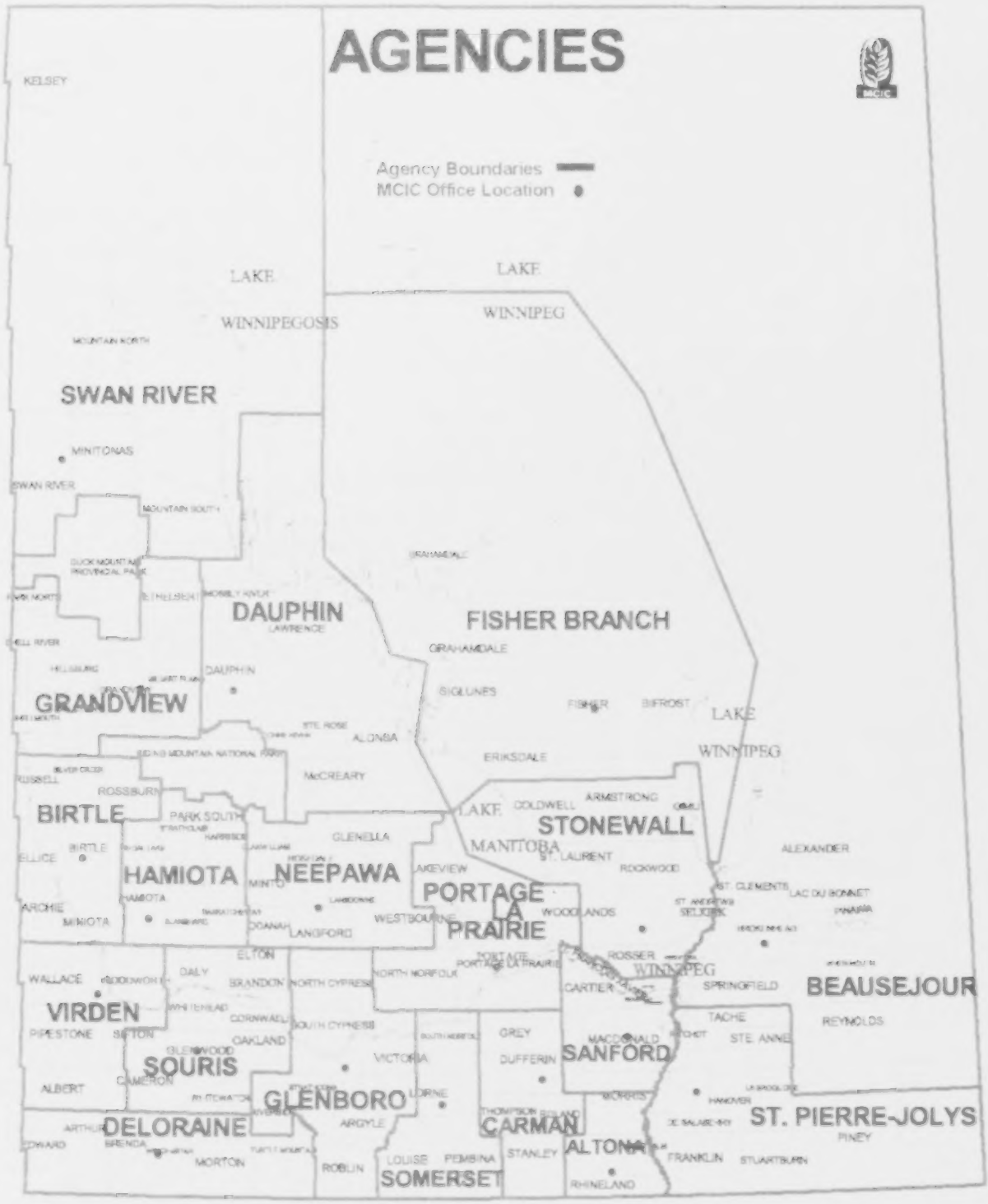
HAIL INSURANCE PROGRAM



NOTE: In 2003, the loss ratio was 60%. For comparison purposes, the record low was 19% in 1998 and the record high was 174% in both 1989 and 1993.

RISK AREAS




AGENCIES
Agency Boundaries
MCIC Office Location
KELSEY
LAKE WINNIPEGOSIS
LAKE WINNIPEG
SWAN RIVER
MINITONAS
DAUPHIN
FISHER BRANCH
GRANDVIEW
BIRTLE
HAMIOTA
NEEPAWA
STONEWALL
PORTAGE LA PRAIRIE
VIRDEN
SOURIS
GLENBORO
DELORAINE
SANFORD
CARMAN
ALTONA
SOMERSET
ST. PIERRE-JOLYS
BEAUSEJOUR
WINNIPEG
LAKE MANITOBA
LAKE WINNIPEG

FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2004

Responsibility for Financial Statements 24

Auditors' Report 25

Balance Sheet 26

Statement of Operations and Funds Retained

- Production Insurance Program 27
- Hail Insurance Program 28

Statement of Cash Flows 29

Statement of Revenue and Expenditure

- Wildlife Damage Compensation Program 30
- BSE-Related Programs 31
- Discontinued Programs 32

Notes to Financial Statements 33

Schedule of Administrative Expenses 39

FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2014

24

25

26

27

28

29

RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of the Manitoba Crop Insurance Corporation is responsible for the integrity, objectivity and reliability of the financial statements, accompanying notes and other financial information in the annual report which it has prepared.

Management maintains internal control systems to ensure that transactions are accurately recorded in accordance with established policies and procedures. In addition, certain best estimates and judgements have been made based on a careful assessment of the available data.

The financial statements and accompanying notes are examined by the Auditor General for Manitoba, whose opinion is included herein. The Auditor General has access to the Board of Directors, with or without Management present, to discuss the results of their audit and the quality of financial reporting of the Corporation.

Neil Hamilton
General Manager

Jim Lewis
Director, Finance & Administration

June 14, 2004

Office of the Auditor General

500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITORS' REPORT

To the Legislative Assembly of Manitoba, and
To the Board of Directors of Manitoba Crop Insurance Corporation

We have audited the balance sheet of the Manitoba Crop Insurance Corporation as at March 31, 2004, the statement of operations and funds retained for the Production Insurance program, the statement of operations and funds retained for the Hail Insurance program, the statement of cash flows and the statements of revenue and expenditure for the other agriculture related programs administered by the Corporation on behalf of the Government of the Province of Manitoba, being statements 1-3. These financial statements are the responsibility of the Corporation's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2004 and the results of its operations and its cash flows, and the revenue and expenditure transactions of the programs administered by the Corporation on behalf of the Government of the Province of Manitoba, for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

OFFICE OF THE AUDITOR GENERAL

Winnipeg, Manitoba
June 14, 2004

BALANCE SHEET

AS AT MARCH 31, 2004

	Production Insurance Program	Hail Insurance Program	Other Programs (Note 4)	2004 Total	2003 Total
Assets					
Cash	$ 767,582	–	–	$ 767,582	$ 284,860
Short-term investments (Note 3(B))	274,130,151	14,318,124	2,595,724	291,043,999	296,479,311
Accounts receivable (Note 5)	7,368,673	739,104	147,979	8,255,756	7,055,509
Prepaid expenses	134,927	–	–	134,927	105,615
Interprogram receivable	–	1,891	228,481	230,372	397,699
	282,401,333	15,059,119	2,972,184	300,432,636	304,322,994
Long-term investments (Note 3(B))	50,000,000	5,000,000	–	55,000,000	
Property and equipment (Note 6)	524,061	–	–	524,061	682,641
	$ 332,925,394	20,059,119	2,972,184	$ 355,956,697	$ 305,005,635
Liabilities and Funds Retained					
Reinsurance premiums payable	$ 4,303,822	226,298	–	$ 4,530,120	$ 4,723,276
Indemnities payable (Note 7)	4,398,226	5,350	2,413,747	6,817,323	6,140,063
Accounts payable and accrued liabilities	3,129,114	–	533,387	3,662,501	2,501,094
Interprogram payable	230,372	–	–	230,372	397,699
Excess of revenue over expenditure (Statement 3)	–	–	25,050	25,050	28,426
	12,061,534	231,648	2,972,184	15,265,366	13,790,558
Deferred revenue (Note 8)	524,061	–	–	524,061	682,641
Funds retained	320,339,799	19,827,471	–	340,167,270	290,532,436
	$ 332,925,394	20,059,119	2,972,184	$ 355,956,697	$ 305,005,635

APPROVED BY THE BOARD:

Walter W Kolisnyk

CHAIRPERSON

Hazel Arndt.

VICE-CHAIRPERSON

PRODUCTION INSURANCE PROGRAM

STATEMENT OF OPERATIONS AND FUNDS RETAINED

FOR THE YEAR ENDED MARCH 31, 2004

	2004	2003
Revenue:		
Premiums (Note 3(F))		
Insured producers	$ 33,187,575	$ 26,055,997
Government of Canada	47,555,188	35,676,195
Province of Manitoba	31,703,180	27,989,945
	112,445,943	89,722,137
Less premiums ceded (Note 9)		
Reinsurance Fund of Canada	1,220,989	448,611
Reinsurance Fund of Manitoba	562,230	448,611
Excess of loss reinsurance	15,513,013	14,009,824
	17,296,232	14,907,046
Net premiums	95,149,711	74,815,091
Interest	9,323,258	8,380,255
Total revenue	104,472,969	83,195,346
Expenditure:		
Indemnities	57,067,686	75,961,304
Doubtful accounts	16,759	60,940
Administrative expenses - Schedule 1	9,432,868	10,016,194
Administrative expenses recovered from		
Government of Canada (Note 3(G))	(4,226,502)	(3,842,641)
Province of Manitoba (Note 3(G))	(2,860,590)	(3,847,811)
Insured producers (Note 3(G))	(2,345,776)	(2,325,742)
Net expenditure	57,084,445	76,022,244
Income for the year	47,388,524	7,173,102
Funds retained, beginning of year	272,951,275	265,778,173
Funds retained, end of year	$ 320,339,799	$ 272,951,275

HAIL INSURANCE PROGRAM

STATEMENT OF OPERATIONS AND FUNDS RETAINED

FOR THE YEAR ENDED MARCH 31, 2004

	2004	2003
Revenue:		
Premiums, net of discounts	$ 11,230,777	$ 9,686,869
Less premiums ceded for reinsurance (Note 10)	1,020,262	874,686
Net premiums	10,210,515	8,812,183
Interest and surcharges	656,227	624,800
Total revenue	10,866,742	9,436,983
Expenditure:		
Indemnities	6,893,917	10,567,991
Administrative expenses – Schedule 1	1,693,091	1,701,350
Doubtful accounts (recoveries)	33,424	(12,322)
Total expenditure	8,620,432	12,257,019
Income (loss) for the year	2,246,310	(2,820,036)
Funds retained, beginning of year	17,581,161	20,401,197
Funds retained, end of year	$ 19,827,471	$ 17,581,161

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2004

	Production Insurance Program	Hail Insurance Program	2004 Total	2003 Total
Cash provided by (used for)				
Operating activities:				
Income (loss) for the year				
Income (loss) before interest revenue	$ 38,065,266	1,590,083	$ 39,655,349	$ (4,651,989)
Interest revenue	9,323,258	656,227	9,979,485	9,005,055
	47,388,524	2,246,310	49,634,834	4,353,066
Items not involving cash				
Changes in allowance for doubtful accounts	(42,519)	27,694	(14,825)	(39,376)
Amortization of property and equipment	267,894	–	267,894	335,751
Changes in:				
Accounts receivable	(1,484,819)	(339,464)	(1,824,283)	409,239
Interest receivable	541,916	137,163	679,079	(593,771)
Prepaid expenses	(29,312)	–	(29,312)	2,287
Interprogram receivable/payable	(167,327)	5,203	(162,124)	(3,096,470)
Reinsurance premiums payable	(173,000)	(20,156)	(193,156)	3,548,004
Indemnities payable	(1,427,916)	(29,717)	(1,457,633)	3,339,928
Accounts payable and accrued liabilities	819,106	–	819,106	112,561
Cash provided by operating activities	45,692,547	2,027,033	47,719,580	8,371,219
Investing activities:				
Sale (purchase) of short-term investments	47,010,449	2,972,967	49,983,416	(45,180,066)
Purchase of long-term investments	(50,000,000)	(5,000,000)	(55,000,000)	–
Purchase of property and equipment	(109,314)	–	(109,314)	(67,535)
Cash used for investing activities	(3,098,865)	(2,027,033)	(5,125,898)	(45,247,601)
Financing activities:				
Deferred revenue	(158,580)	–	(158,580)	(268,217)
Cash used for financing activities	(158,580)	–	(158,580)	(268,217)
Net increase (decrease) in cash and short-term investments	42,435,102	–	42,435,102	(37,144,599)
Cash and cash equivalents, beginning of year	5,107,895	–	5,107,895	42,252,494
Cash and cash equivalents, end of year	$ 47,542,997	–	$ 47,542,997	$ 5,107,895
Cash and cash equivalents comprised of the following:				
Short-term investments	$ 274,130,151	14,318,124	$ 288,448,275	$ 296,479,311
Short-term investments with terms greater than 90 days	227,354,736	14,318,124	241,672,860	291,656,276
Short-term investments with terms of 90 days or less	46,775,415	–	46,775,415	4,823,035
Cash	767,582	–	767,582	284,860
	$ 47,542,997	–	$ 47,542,997	$ 5,107,895

Statement 1

WILDLIFE DAMAGE COMPENSATION PROGRAM (NOTE 4(A))

STATEMENT OF REVENUE AND EXPENDITURE

FOR THE YEAR ENDED MARCH 31, 2004

	2004	2003
Revenue:		
Recovery of expenditures		
Government of Canada	$ 896,877	$ 789,682
Province of Manitoba	928,903	1,114,021
Total revenue	$ 1,825,780	$ 1,903,703
Expenditure:		
Indemnities	$ 1,488,294	$ 1,621,691
Administrative expenses		
Adjusters' wages, benefits and expenses	324,853	261,532
Audit fees and legal	3,011	5,177
Other administrative expenses	9,622	15,303
	337,486	282,012
Total expenditure	$ 1,825,780	$ 1,903,703

Statement 2

BSE (BOVINE SPONGIFORM ENCEPHALOPATHY) RELATED PROGRAMS (NOTE 4(B))

STATEMENT OF REVENUE AND EXPENDITURE

FOR THE YEAR ENDED MARCH 31, 2004

	2004
Revenue:	
Recovery of expenditures	
Government of Canada	$ 12,104,990
Province of Manitoba	33,401,274
Total recovery	45,506,264
Interest	69,390
Total revenue	$ 45,575,654
Expenditure:	
Program payments:	
Canada-Manitoba BSE Recovery Program	$ 20,074,312
Manitoba BSE Feeder Assistance Program	6,271,525
Manitoba Slaughter Deficiency Program	9,407,977
Manitoba Drought Assistance Program	4,074,547
Manitoba Cull Animal Program	4,825,838
Manitoba Spring Dead Stock Removal Program	400,000
	45,054,199
Doubtful accounts	339
Administrative expenses	521,116
Total expenditure	$ 45,575,654

Statement 3

DISCONTINUED PROGRAMS (NOTE 4(C))

STATEMENT OF REVENUE AND EXPENDITURE

FOR THE YEAR ENDED MARCH 31, 2004

	2004	2003
Revenue:		
Recovery (repayment) of expenditures:		
Government of Canada	$ –	$ 1,375
Province of Manitoba	–	(19,016)
Total repayment	–	(17,641)
Interest	487	2,967
Total revenue (repayment)	487	(14,674)
Expenditure:		
Doubtful accounts recoveries	(6,039)	(24,490)
Administrative expenses	–	(87)
Refund (recovery) of excess interest to (from) contributors	4,263	(1,081)
Total recoveries	(1,776)	(25,660)
Excess of revenue over expenditure	2,263	10,986
Excess of revenue over expenditure, beginning of year	28,426	3,033,031
Refunds to participants, during the year	(5,639)	(3,015,591)
Excess of revenue over expenditure, end of year	$ 25,050	$ 28,426

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

1. AUTHORITY

The Manitoba Crop Insurance Corporation was incorporated under a specific Statute of the Province of Manitoba, and operates under the authority of The Crop Insurance Act, Chapter C310 in the Continuing Consolidation of the Statutes of Manitoba.

2. BASIS OF REPORTING

The financial statements of the Corporation are in such form as prescribed by Section 13 of The Crop Insurance Act, and are presented in accordance with Canadian generally accepted accounting principles.

3. SIGNIFICANT ACCOUNTING POLICIES

(A) Programs

Under the provisions of its Act and regulations, the Corporation operates production and hail insurance programs for Manitoba farmers.

The Corporation is also responsible for the administration of various agriculture related programs, including the Wildlife Damage Compensation Program and the BSE programs, on behalf of the Government of Canada and the Province of Manitoba.

For financial accounting purposes, all programs are regarded as separate operations and are accounted for separately.

(B) Short-Term and Long-Term Investments

Short-term and long-term investments are carried at cost, which approximates market value. Funds available for short-term and long-term investment are invested with the Province of Manitoba, in accordance with Section 208(1) of The Crop Insurance Act.

(C) Property and Equipment and Amortization

Property and equipment are stated at cost less accumulated amortization. Property and equipment are amortized on a straight-line basis over their estimated useful lives, as follows:

Furniture and Equipment	10 years
Computer Hardware	4 years
Computer Software	4 years
Major Application Development	8 years
Leasehold Improvements	Remaining term of the lease

(D) Pensions

Effective April 1, 1998, the Corporation began matching employees' current pension contributions to the Civil Service Superannuation Plan. As a matching employer, the Corporation discharges its pension liability on a current basis and, therefore, has no additional pension obligation.

(E) Vacation and Severance Pay

Employees of the Corporation are entitled to vacation and severance pay in accordance with the terms of the Collective Agreements and Corporation policy. The liability for vacation and severance pay is recorded based on the Corporation's best estimates.

(F) Premiums and Government Contributions

The Corporation recognizes as revenue all premiums earned on policies in force during the year. The insurance premium rates are calculated annually by crop and rating area and are based on a 25-year average of historical loss experience adjusted for the program's current level of benefits. Premium rates are adjusted annually to maintain adequate reserves over time. This is done to ensure the financial self-sustainability of the program.

NOTES TO FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The Canada-Manitoba Production Insurance Agreement, which is Annex B to the Canada-Manitoba Implementation Agreement, provides for the cost sharing of the premiums under the Production Insurance Program. The premiums for coverage of 50% of an insured producer's probable yields are shared between the Government of Canada (60%) and the Province of Manitoba (40%). Premiums for coverage above the 50% level are shared between the insured producers (50%), the Government of Canada (30%) and the Province of Manitoba (20%). For the previous fiscal year, premiums for coverage above the 50% level were shared between the insured producers (50%), the Government of Canada (25%) and the Province of Manitoba (25%).

(G) Administrative Expenses

The agreement relating to the Production Insurance Program, referred to in Section (E) of this note, stipulates that administrative expenses, net of any administrative revenues, will be shared by the Government of Canada (60%) and the Province of Manitoba (40%). For the previous fiscal year, administrative expenses, net of any administrative revenues, were shared equally by the Government of Canada and the Province of Manitoba. Administrative revenues include the per acre administrative fee shown as a recovery from insured producers. All administrative expenses relating to the Hail Insurance Program are recovered from the insured producers.

Identifiable administrative expenses for all of the programs administered by the Corporation are charged directly to the specific program. Where the direct charging of administrative expenses to specific programs is not possible, these expenses are allocated to each program on a basis approved by the Corporation's Board of Directors.

(H) Use of Estimates

In preparing the Corporation's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

(I) Financial Instruments

The Corporation's financial instruments consist of cash, accounts receivable, investments and accounts payable. It is management's opinion that the Corporation is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

4. OTHER PROGRAMS

(A) Statement 1

Wildlife Damage Compensation Program

The Corporation administers the Wildlife Damage Compensation Program that was established to compensate producers for 100% of damage to agricultural crops and products caused by waterfowl or wildlife (big game animals) and the death or injury to domestic livestock caused by natural predators. The first 80% of compensation and all administrative expenses are shared by the Government of Canada (60%) and the Province of Manitoba (40%). The remaining 20% of compensation is paid by the Province of Manitoba. For the previous fiscal year, the first 80% of compensation and all administrative expenses were shared equally by the Government of Canada and the Province of Manitoba, with the remaining 20% of compensation paid by the Province of Manitoba.

(B) Statement 2

BSE (Bovine Spongiform Encephalopathy) Related Programs:

Canada-Manitoba BSE Recovery Program

In July 2003, the Corporation assumed responsibility for the administration of the Canada-Manitoba BSE Recovery Program. The purpose of the program was to provide financial assistance to the Canadian beef industry and to producers of other

NOTES TO FINANCIAL STATEMENTS

4 OTHER PROGRAMS (cont'd)

ruminants who were affected by the closure of the U.S. border due to BSE. The program included two components, a "slaughter component" consisting of payments to producers for cattle and other ruminants sold for slaughter, and an "inventory and pricing incentive component" consisting of payments to packers to assist them in marketing the slowest selling products in inventory and in offering higher prices for the livestock that they purchased. The program paid out approximately $20.1 million in compensation, which was cost shared by the Government of Canada (60%) and the Province of Manitoba (40%).

Manitoba BSE Feeder Assistance Program

In August 2003, the Corporation assumed responsibility for the administration of the Manitoba BSE Feeder Assistance Program. Due to the closure of the U.S. border to live cattle and other ruminants and their related meat products, Manitoba producers' access to slaughter capacity was severely restricted. The purpose of the program was to provide feeding assistance payments on cattle and other ruminant animals that were intended for slaughter and were on feed in Manitoba. The Province of Manitoba provided just under $6.3 million of compensation through this program.

Manitoba Slaughter Deficiency Program

In September 2003, the Corporation assumed responsibility for the administration of the Manitoba Slaughter Deficiency Program. The objective of the program was to provide compensation to Manitoba livestock producers for slaughter price declines resulting from the U.S. border closure due to BSE. The Province of Manitoba provided just over $9.4 million in compensation through this program.

Manitoba Drought Assistance Program

In September 2003, the Corporation assumed responsibility for the administration of the Manitoba Drought Assistance Program. The purpose of the program was to provide transportation assistance to Manitoba livestock producers who were short of hay and straw due to drought conditions, and who were also being affected by the BSE situation. The Province of Manitoba provided approximately $4.1 million in compensation through this program.

Manitoba Cull Animal Program

In December 2003, the Corporation assumed responsibility for the administration of the Manitoba Cull Animal Program. The program provided assistance to Manitoba producers who own breeding herds that are normally culled and were affected by the closure of the U.S. border due to BSE. The Province of Manitoba provided over $ 4.8 million in compensation through this program.

Manitoba Spring Dead Stock Removal Program

In March 2004, the Corporation assumed responsibility for compensating a private provider for the farm pick-up of dead cattle. The purpose of the program was to assist producers with disposal of cattle mortalities, which prior to the BSE situation were picked up at no cost. Program funding of $0.4 million was provided by the Province of Manitoba.

(C) Statement 3

Discontinued Programs

Discontinued Programs provides a summary of transactions, such as interest and bad debt recoveries, relating to programs which are no longer active.

Non-active programs include the Revenue Protection component of the Gross Revenue Insurance Plan (GRIP), the Manitoba Farm Disaster Assistance Program (MFDAP), the Canada-Manitoba Adjustment Program (CMAP) and the Canada-Manitoba Adjustment Program 2 (CMAP 2).

The excess of revenue over expenditure of $25,050 (2003 - $28,426) is related to the Gross Revenue Insurance Plan and represents the remaining producers' share of this program. This amount is currently being held pending a decision on its distribution for the benefit of Manitoba's producers.

NOTES TO FINANCIAL STATEMENTS

5. ACCOUNTS RECEIVABLE

The accounts receivable as of March 31, 2004 consist of the following:

	March 31, 2004				March 31, 2003
	Production Insurance Program	Hail Insurance Program	Other Programs	Total	Total
Insured Producers	$ 981,920	368,528	3,128	$ 1,353,576	$ 878,394
Government of Canada	1,748,506	–	140,319	1,888,825	972,963
Province of Manitoba	1,351,168	–	–	1,351,168	1,037,472
Accrued Interest	2,931,266	170,576	4,532	3,106,374	3,809,724
Other	355,813	–	–	355,813	356,956
	$ 7,368,673	739,104	147,979	$ 8,255,756	$ 7,055,509

6. PROPERTY AND EQUIPMENT

	March 31, 2004			March 31, 2003
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Furniture and Equipment	$ 314,502	131,235	$ 183,267	$ 164,639
Computer Hardware	402,323	308,303	94,020	102,057
Computer Software	92,477	64,994	27,483	10,110
Major Application Development	2,907,418	2,756,936	150,482	312,947
Leasehold Improvements	297,560	228,751	68,809	92,888
	$ 4,014,280	3,490,219	$ 524,061	$ 682,641

7. INDEMNITIES PAYABLE

Indemnities payable for the Production Insurance Program of $4,398,226 (2003 - $5,826,142) provide for indemnity payments relating to the 2003 crop year. This amount includes an estimate of $3,150,000 (2003 - $3,445,000), which represents the liability for unpaid claims and the loss of crop value due to the over-winter deterioration of unharvested crops.

Indemnities payable for Other Programs of $2,413,747 (2003 - $278,834) include a provision of $2,159,263 (2003 - $nil) for outstanding BSE program claims and a provision of $254,483 (2003 - $208,600) for the Wildlife Damage Compensation Program.

8. DEFERRED REVENUE

Deferred revenue represents administrative subsidies provided by the Government of Canada (60%) and the Province of Manitoba (40%) and is used to acquire property and equipment. For the previous fiscal year, these administrative subsidies were provided equally by the Government of Canada and the Province of Manitoba. Deferred revenue is recognized as revenue when amortization is recorded on property and equipment.

9. REINSURANCE – PRODUCTION INSURANCE PROGRAM

In accordance with the terms of the reinsurance agreement between the Government of Canada and the Province of Manitoba, the two levels of government maintain separate reinsurance accounts. The Corporation pays reinsurance premiums to the Crop Reinsurance Fund of Canada for Manitoba, and to the Crop Reinsurance Fund of Manitoba, based on premiums collected, and

NOTES TO FINANCIAL STATEMENTS

9. REINSURANCE – PRODUCTION INSURANCE PROGRAM (cont'd)

the cumulative financial balance of the program. When indemnities paid to insured producers exceed the funds retained by the Corporation including any private sector reinsurance recoveries, transfers are made from the Crop Reinsurance Fund accounts to the Corporation. Interest is neither credited nor charged to the respective reinsurance accounts by the Government of Canada or the Province of Manitoba.

Under the conditions of the federal-provincial reinsurance agreement, an additional reinsurance premium of $638,759 was made by the Corporation to the Reinsurance Fund of Canada for Manitoba to bring the balance at March 31, 2004 to zero.

	Reinsurance Fund of Canada for Manitoba		Reinsurance Fund of Manitoba	
	2004	2003	2004	2003
Opening surplus (deficit)	$ (1,223,214)	$ (1,672,811)	$ 21,454,729	$ 21,005,132
Current year premium contributions (net) *	1,223,214	449,597	564,455	449,597
Closing surplus (deficit)	$ –	$ (1,223,214)	$ 22,019,184	$ 21,454,729

** Current year reinsurance premium contributions are shown net of an allowance for uncollectible accounts.*

The Corporation entered into a one-year private sector reinsurance agreement for the Production Insurance Program in addition to what is covered by the reinsurance agreement between the Government of Canada and Province of Manitoba. This agreement provided for 28 reinsuring companies to assume 90% of losses (including deemed loss adjustment expenses) from 15% to 25% of the Production Insurance coverage. Reinsurance premiums were $13,513,013 (2003 - $14,009,824). There were no reinsurance recoveries in 2004 (2003 - $nil).

10. REINSURANCE – HAIL INSURANCE PROGRAM

The Corporation entered into a one-year reinsurance agreement for the Hail Insurance Program. This agreement provided for 15 reinsuring companies to assume hail insurance losses (including loss adjustment expenses) from 125% to 200% of gross premium. Reinsurance premiums were $1,020,262 (2003 - $874,686). There were no reinsurance recoveries in 2004 (2003 - $nil).

11. LEASE AGREEMENTS

The Corporation has entered into long-term lease agreements. The minimum payments under these leases are as follows:

Year Ending March 31 st	Lease Agreements Amounts
2005	$ 559,089
2006	492,595
2007	402,304
2008	176,073
2009	3,408
	1,633,389
2010 and beyond	3,124
	$ 1,636,513

12. CONTINGENCIES

Various legal actions for additional indemnity payments have been commenced by insured producers against the Corporation. The outcome of these claims cannot be determined at this time.

NOTES TO FINANCIAL STATEMENTS

13. ACTUARIAL REVIEW

An actuarial certification of the Production Insurance Program was completed by Tillinghast - Towers Perrin, consulting actuaries, in June 2003. The actuarial reports conclude that: the methodologies used by the Corporation in establishing the probable yields of the crops insured under the program meet the requirements of the federal Crop Insurance Regulation; the premium rate methodologies used by the Corporation are actuarially sound and are sufficient to meet expected claim costs; and the program meets the self-sustaining criteria defined by the federal government.

An actuarial certification is completed every five years with any new programs or program changes being reviewed annually.

14. RELATED–PARTY TRANSACTIONS

The Corporation is related in terms of common ownership to all Province of Manitoba-created departments, agencies and Crown corporations. The Corporation enters into transactions with these entities in the normal course of business.

Interest earned on investments held by the Province of Manitoba amounted to $9.9 million (2003 - $8.9 million). Included in accounts receivable (Note 5) is $3.1 million (2003 - $3.8 million) of accrued interest related to investments held by the Province of Manitoba.

15. SUBSEQUENT EVENTS

In April 2004, the Corporation assumed responsibility for the administration of the Canada Cull Animal Program in Manitoba on behalf of the Government of Canada.

The purpose of the program is to provide assistance to Manitoba producers who own breeding herds and are affected by the closure of the U.S. border due to BSE. The first payments for this program were made in late April 2004. The Government of Canada is expected to provide about $10.5 million in compensation through this program.

16. PROGRAM NAME CHANGE

Commencing with the 2003 crop year, the Crop Insurance Program's name was changed to the Production Insurance Program in accordance with the Canada-Manitoba Production Insurance Agreement.

17. COMPARATIVE FIGURES

Certain 2003 comparative figures in the financial statements have been reclassified to conform with the current year's presentation.

SCHEDULE 1

SCHEDULE OF ADMINISTRATIVE EXPENSES

FOR THE YEAR ENDED MARCH 31, 2004

	2004	2003
Adjusters' wages, benefits and expenses	$ 3,106,329	$ 3,582,883
Advertising	152,179	101,540
Amortization expense	267,894	335,751
Appeal Tribunal	14,386	15,801
Audit fees and legal	169,850	161,613
Directors' remuneration and expenses	60,181	65,261
Furniture and equipment	35,043	42,859
Information technology	508,552	428,365
Office rental and utilities	612,106	591,933
Other administrative expenses	183,503	276,161
Other administrative recoveries	(217,296)	(174,177)
Postage	98,255	113,878
Printing, stationery and office supplies	155,113	168,607
Salaries and employee benefits	5,586,426	5,557,427
Telephone	122,149	133,282
Travel and automobile expenses	271,289	319,111
Total administrative expenses	$ 11,125,959	$ 11,720,295
Administrative expenses allocated to:		
Production Insurance Program	$ 9,432,868	$ 10,016,194
Gross Revenue Insurance Plan	–	2,751
Hail Insurance Program	1,693,091	1,701,350
Total administrative expenses	$ 11,125,959	$ 11,720,295